



March 12, 2014

**Item No. 7**

**AUTHORIZATION FOR THE CHA TO AWARD CONTRACTS FOR GENERAL LIABILITY, UMBRELLA LIABILITY, AND EXCESS LIABILITY INSURANCE COVERAGE FOR THE PROPERTY MANAGERS' INSURANCE PROGRAM TO SWISS RE AMERICAN HOLDING/FIRST SPECIALTY, ACE USA/ILLINOIS UNION, AND IRONSHORE.**

**To the Honorable Board of Commissioners:**

**RECOMMENDATION**

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to purchase the insurance coverage for CHA's Property Managers' Insurance Program ("PMIP") through its insurance broker of record, Aon Risk Services Central, Inc. ("AON"), for the period of April 1, 2014 through March 31, 2015 for an aggregate amount not-to-exceed \$1,152,646 broken down as follows: (1) Primary General Liability coverage written through Swiss Re American Holding/First Specialty in an amount not-to-exceed \$515,213; (2) Umbrella Liability coverage written through Ace USA/Illinois Union in an amount not-to-exceed \$466,493; and (3) Excess Liability written through Ironshore in an amount not-to-exceed \$170,940.

The Executive Vice President (EVP) of Finance, the Office of the General Counsel and the Department of Procurement and Contracts have completed all necessary due diligence to support the submission of this procurement and recommend the approval of this item accordingly.

**CORPORATE GOAL**

The CHA must protect its assets by annually evaluating its insurance needs and procuring appropriate insurance coverage to protect its assets, financial interests and make it more fiscally sound.

**FUNDING:** General Fund

**SOLICITATION SUMMARY**

<b>Vendor:</b>	Insurance Coverage Purchased Through Aon Risk Services Central, Inc.
<b>Address:</b>	200 East Randolph Street
<b>City:</b>	Chicago, IL 60601
<b>Contract Type:</b>	Firm Fixed Price
<b>Contract NTE Amount:</b>	\$1,152,646
<b>Awardees:</b>	Swiss Re Services/First Specialty - \$515,213, Ace USA/Illinois Union - \$466,493, Ironshore - \$170,940
<b>Contract Period:</b>	April 1, 2014 – March 31, 2015
<b>M/W/DBE Participation:</b>	See attached waiver
<b>Section 3:</b>	Not Applicable - Supply & Delivery
<b>Section 3 Sub-Contracting:</b>	Not Applicable – Supply & Delivery

## **GENERAL BACKGROUND/EXPLANATION**

The CHA must annually renew its insurance coverage for the Property Manager's Insurance Program (PMIP). The aggregate limit of coverage, \$22 million, is constructed using three different layers of coverage: (1) general liability up to \$2 million; (2) umbrella liability covers claims between \$2 million – \$12 million; and (3) excess liability covers claims between \$12 million - \$22 million. In 2001, HUD authorized the CHA to have its insurance broker of record competitively solicit bids on the CHA's behalf for all forthcoming insurance procurements.

An integral component of CHA's marketing plan has been the property tour. Underwriters were invited to a presentation by CHA staff and a tour of three development locations. The tour was designed to give the underwriters a first-hand look at each type of development (Senior, Family, Scattered Sites) and to allow informal question and answer sessions with the PPM staff. This strategy supports the touted success of the Plan for Transformation and the resulting improvement in CHA's real estate portfolio, which is reflected in improved claim results and increased competition by insurers willing to provide coverage.

The Authority's investment in the Life Safety upgrades for Senior high-rise buildings was of particular interest to the underwriters. One of the tour stops was at Flannery, a building that is currently under construction for common area sprinklers, upgraded fire panels, and elevator recall systems. These improvements will continue to directly impact CHA's marketing results, as CHA's real estate portfolio will better fit within the underwriting guidelines for the carriers who may not have been able to quote because of the lack of life-safety protection.

## **PROCUREMENT INFORMATION**

Aon directly and indirectly (through one wholesaler) solicited requests for insurance premium quotes from 22 insurance carriers for each line of the coverage lines. The solicitation notice was also posted on the CHA's website on January 20, 2014 and assist agencies were notified of this solicitation was conducted by Aon on CHA's behalf. Specifications were sent on January 20th and quotes were received by February 5th. Aon was able to obtain competition in each layer of coverage and received quotes from four new carriers. The Housing Authority class of business is still challenging for insurers, but our program is growing more attractive to potential insurers as evidenced by multiple quotes for each coverage line. A list of the insurers approached was compiled in Aon's Quote Disclosure Report, which includes the insurer's response to the broker. Also included are insurer responses and quotes.

## **RECOMMENDATION**

Contract awards are requested to be made to the responsive and responsible insurers with the lowest cost, which are also within the AM Best Ratings that were stated in the solicitation. After reviewing the premium quotes, AON and CHA's Risk Management Department recommend that insurance coverage for CHA's PMIP be purchased through its insurance broker of record, Aon, for the period of April 1, 2014 through March 31, 2015 for an aggregate amount not-to-exceed \$1,152,646 broken down as follows: (1) Primary General Liability coverage written through Swiss Re American Holding/First Specialty (rating A+ XV) in an amount not-to-exceed \$515,213; (2) Umbrella Liability coverage written through Ace USA/Illinois Union (rating A+ XV) in an amount not-to-exceed \$466,493; and (3) Excess Liability written through Ironshore (rating A IV) in an amount not-to-

exceed \$170,940.

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and applicable federal (HUD) procurement laws.

The EVP of Finance concurs with the recommendation to purchase insurance coverage through its Broker of Record with the same policy limits and retention levels for all lines as in the prior year's program.

The CEO/President recommends the approval to purchase insurance coverage for CHA's PMIP for the period of April 1, 2014 through March 31, 2015 for an aggregate amount not-to-exceed \$1,152,646 through CHA's insurance broker of record, AON, broken down as follows: (1) Primary General Liability coverage written through Swiss Re American Holding/First Specialty in an amount not-to-exceed \$515,213; (2) Umbrella Liability coverage written through Ace USA/Illinois Union in an amount not-to-exceed \$466,493; and (3) Excess Liability written through Ironshore in an amount not-to-exceed \$170,940.

**RESOLUTION NO. 2014-CHA-32**

**WHEREAS,** the Board of Commissioners has reviewed the memorandum dated March 12, 2014 entitled "AUTHORIZATION FOR THE CHA TO AWARD CONTRACTS FOR GENERAL LIABILITY, UMBRELLA LIABILITY, AND EXCESS LIABILITY INSURANCE COVERAGE FOR THE PROPERTY MANAGERS' INSURANCE PROGRAM TO SWISS RE AMERICAN HOLDING/FIRST SPECIALTY, ACE USA/ILLINOIS UNION, AND IRONSHORE;"

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT** The Board of Commissioners authorizes the Chief Executive Officer or his designee to purchase the insurance coverage for CHA's Property Managers' Insurance Program for the period of April 1, 2014 through March 31, 2015 for an aggregate amount not-to-exceed \$1,152,646, through its insurance broker of record, AON Risk Services Central, Inc. ("AON") broken down as follows: (1) Primary General Liability coverage written through Swiss Re American Holding/First Specialty in an amount not-to-exceed \$515,213; (2) Umbrella Liability coverage written through Ace USA/Illinois Union in an amount not-to-exceed \$466,493; and (3) Excess Liability written through Ironshore in an amount not-to-exceed \$170,940.

